




NOTICE TO STATE WATER PROJECT CONTRACTORS

NUMBER: 00-14

DATE: JUN 15 2000

SUBJECT: **RAS-PAYGO**
Pay-As-You-Go Replacement Costs

FROM: 
Deputy Director, Department of Water Resources

As part of developing a Cost Allocation and Repayment Analysis 2000 system that will be compatible with the new business systems based on SAP, all the administrative CARA cost allocation processes were reviewed for opportunities to simplify procedures and still achieve the objectives of the process.

The following basic replacement accounting criteria will be retained:

- Master Replacement List is made up of rotating equipment having a cost of over \$250,000 and life expectancy over 10 years.
- The type of replacement item will determine the period of past years to be used in allocating costs (Use Period)(i.e., impellers = 30 years and non-impellers = 20 years).
- Both Direct Pay and State Operations costs will be funded through RAS-PAYGO.
- Transportation equipment is to be paid for by those who wore it out (expected to recognize water delivery differences among contractors due to facility construction and fluctuations in annual use such as Coastal Aqueduct contractors).
- Three years of estimates will be included in Statements of Charges (SOC).
- Estimated replacement costs will be replaced with actual costs when known.
- Replacement expenditures are to be "trued-up" two years later in the billing cycle.
- Replacement Fund (a reserve fund created from prior RAS Reserve Fund) will be continued.

The following new elements will be incorporated into CARA 2000 procedures:

- Estimated costs and actual costs will be allocated to each Contractor based on the Contractors' proportions of the cumulative total of all water delivered through the facility during the Use Period. Costs will no longer be discounted before being assigned to contractors.
- Each water user's share of a replacement cost will be assigned as a current year's cost and entered as a separate line item adjustment to the Variable OMP&R invoice.

If you have any questions, you may contact Perla Netto-Brown, Chief of Fiscal Services at (916) 653-9836.